

STATE OF SOUTH CAROLINA

(Caption of Case)

Midwestern Telecommunications, Inc.
 Application for Designation as an Eligible
 Telecommunications Carrier for the Purposes
 of Receiving Federal Universal Service Support
 Pursuant to Section 214(e)(2) of the
 Telecommunications Act of 1996

BEFORE THE
 PUBLIC SERVICE COMMISSION
 OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 32 - C

(Please type or print)

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☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☐ Other: _____

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<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
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<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
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<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input checked="" type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: _____
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September 24, 2007

Mr. Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Midwestern Telecommunications, Incorporated Application for
Designation as an Eligible Telecommunications Carrier for the
Purposes of Receiving Federal Universal Service Support Pursuant
to Sections 214(e)(2) of the Telecommunications Act of 1996
Docket No. 2007-32-C

Dear Mr. Terreni:

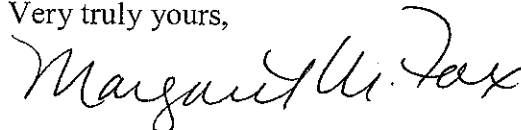
Enclosed for filing on behalf of the South Carolina Telephone Coalition, please find an original and two (2) copies of a Proposed Order in the above-referenced matter. By copy of this letter and Certificate of Service, all parties of record are being served by U. S. Mail with a copy of this Proposed Order.

Please note that the attached document is an exact duplicate, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

Please clock in a copy of the Proposed Order and return it with our courier.

Thank you for your assistance.

Very truly yours,



Margaret M. Fox

MMF/rwm
Enclosures

cc: Parties of Record

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

DOCKET NO. 2007-32-C

IN RE Midwestern Telecommunications, Incorporated)
Application for Designation as an Eligible)
Telecommunications Carrier for the Purposes)
of Receiving Federal Universal Service)
Support Pursuant to Sections 214 (e)(2) of the)
Telecommunications Act of 1996)

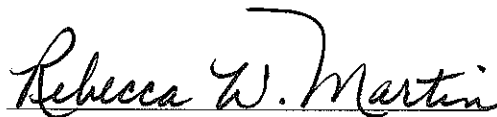
**CERTIFICATE
OF SERVICE**

This is to certify that I, Rebecca W. Martin, an employee with the McNair Law Firm, P. A., have this date served one (1) copy of the attached Proposed Order in the above-referenced matter to the persons named below by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below.

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Director of Operations
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65 East 16th Street
Chicago, Illinois 60411

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September 24, 2007

Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-32-C

Midwestern Telecommunications, Inc.)	
Application for Designation as an Eligible)	PROPOSED ORDER
Telecommunications Carrier for the Purposes of)	(on behalf of SCTC)
Receiving Federal Universal Service Support)	
Pursuant to Section 214(e)(2) of the)	
Telecommunications Act of 1996)	
_____)	

I. PROCEDURAL BACKGROUND

This matter comes before the South Carolina Public Service Commission ("Commission") upon the petition of Midwestern Telecommunications, Incorporated ("MTI") for designation as an Eligible Telecommunications Carrier ("ETC"), pursuant to 42 U.S.C. § 214(e)(2), for the purpose of receiving federal universal service support.

A public hearing was held in this matter on July 31, 2007. MTI was represented by John J. Pringle, Jr. MTI presented the direct and reply testimony of Ikechuku Chinwah.

The South Carolina Telephone Coalition ("SCTC") was represented by M. John Bowen, Jr., and Margaret M. Fox. The SCTC did not present a witness.

The Office of Regulatory Staff ("ORS") was represented by C. Lessie Hammonds and Shealy Reibold. ORS presented the direct and reply testimony of James M. McDaniel.

At the beginning of the hearing, MTI and ORS informed the Commission that they had entered into a stipulated agreement (the "ORS Stipulation"). The ORS Stipulation was entered into the record as Hearing Exhibit No. 1.

II. INTRODUCTION

This docket was established to consider MTI's petition to be designated as an ETC for purposes of receiving federal USF. Section 254(e) of the federal Telecommunications Act of 1996 ("Act") provides that only an ETC as designated under Section 214(e) of the Act may receive federal universal service support.

The goal of universal service is to ensure the widespread availability of affordable basic local exchange telephone service. Universal service has long been a public policy. See, e.g., 47 U.S.C. § 151, § 254; see also S.C. Code Ann. § 58-9-280(E), Commission Order No. 2001-419 in Docket No. 97-239-C at pp. 25-31 (Section III, Universal Service Policy and History). Any consideration of a petition to designate an ETC for purposes of receiving federal funds intended to preserve and advance universal service should be undertaken in a manner consistent with these overall goals.

Section 214(e) requires that a telecommunications carrier seeking designation as an ETC must offer the services that are supported by federal universal service support mechanisms, and must advertise the availability of those services and the charges therefor using media of general distribution.

The Federal Communications Commission ("FCC") has defined the services that are supported by Federal universal service support mechanisms to include the following nine (9) core services:

1. voice grade access to the public switched network;
2. local usage;
3. dual tone multi-frequency signaling or its functional equivalent;
4. single party service or its functional equivalent;

5. access to emergency services;
6. access to operator services;
7. access to interexchange service;
8. access to directory assistance; and
9. toll limitation for qualifying low-income consumers.

47 C.F.R. § 54.101(a). These nine services must be offered throughout the service area for which the designation is received, and must be offered using either the ETC's own facilities or a combination of its own facilities and resale of another carrier's services. 47 U.S.C. § 214(e)(1); 47 C.F.R. § 54.201(d)(1). The term 'own facilities' "includes, but is not limited to, facilities obtained as unbundled network elements" 47 U.S.C. § 54.201(f).

The requirement that a carrier "offer" the service does not mean that it must actually provide ubiquitous service prior to certification as an ETC and, in fact, the Commission cannot place such a condition on a carrier prior to certification. See, e.g., Federal-State Joint Board on Universal Service, RCC Holdings, Inc., Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area in the State of Alabama, Memorandum Opinion and Order, DA 02-3181 (Wireless Comp. Bureau, rel. Nov. 27, 2002).

The FCC has adopted additional requirements that must be met by carriers seeking ETC designation from the FCC. See Federal-State Joint Board on Universal Service, Report and Order, 20 FCC Rcd 6371 (released March 17, 2005) ("FCC ETC Order"). According to the FCC's additional requirements, in order to be designated as an ETC, the carrier must (1) (i) Commit to provide service throughout its proposed designated service area to all customers making a reasonable request for service; (ii) Submit a five-year plan that describes with specificity proposed improvements or upgrades to the applicant's network on a wire center-by-

wire center basis throughout its proposed designated service area; (2) Demonstrate its ability to remain functional in emergency situations; (3) Demonstrate that it will satisfy applicable consumer protection and service quality standards; (4) Demonstrate that it offers a local usage plan comparable to the one offered by the incumbent local exchange carrier ("ILEC") in the service areas for which it seeks designation; and (5) Certify that the carrier acknowledges that the FCC may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access within the service area. 47 C.F.R. § 54.202(a).

This Commission is currently in the process of a rulemaking proceeding in Docket No. 2006-37-C to establish standards for designating ETCs in the State of South Carolina for purposes of receiving federal universal service funding. While The FCC's requirements are not binding on this Commission, we have stated that, in evaluating ETC applications such as MTI's during the interim period prior to issuance of the Commission's own ETC regulations, we will "consider the FCC's guidelines regarding designation of new ETCs in conjunction with the Commission's existing framework of analysis of ETC applications as reflected in prior Commission orders such as Order # 2005-5, dated January 7, 2005, in Docket # 2003-158-C. In other words, we should be informed by – but not controlled by – those FCC guidelines, and the public interest should be paramount in our considerations." See Directive issued by the Commission in Docket No. 2006-37-C, dated May 30, 2007.

With respect to the public interest determination, Section 214(e)(2) of the Act sets forth the analysis a state commission must perform in designating ETCs as follows:

A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one

common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

(Emphasis added.) Thus, even for non-rural areas, the Commission must make a finding that designation is in the public interest before it can designate more than one common carrier as an ETC. See FCC ETC Order at ¶ 42 (“We find that before designating an ETC, we must make an affirmative determination that such designation is in the public interest, regardless of whether the applicant seeks designation in an area served by a rural or non-rural carrier.”).

While the states are free to establish their own public interest tests, in instances where states have declined or failed to exercise their jurisdiction under Section 214(e)(2), the FCC has applied a public interest analysis pursuant to its authority under Section 214(e)(6). Initially the FCC’s standard was very lenient. See, e.g., Guam Cellular and Paging, Inc., DA 02-174 (rel. January 12, 2002). However, concerns about exponential growth in the size of the federal USF, as well as a specific concern that the FCC’s policy was not consistent with the intended use of universal service funding in high cost areas, led to the evolution of a more stringent public interest analysis. See, e.g., In the Matter of Federal State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, FCC 03-338, CC Docket No. 96-45 (released January 22, 2004) (“Virginia Cellular”).

Even more recently, concerns with preserving universal service funding for its intended purposes in light of a burgeoning federal universal service fund led the Federal-State Joint Board on Universal Service (“Joint Board”) to recommend that the FCC “take immediate action to rein in the explosive growth in high-cost universal service disbursements” by imposing an interim,

emergency cap on the amount of high-cost support that competitive ETCs may receive. Recommended Decision, In the Matter of High-Cost Universal Service Support and Federal-State Joint Board on Universal Service, WC Docket No. 05-337 and CC Docket No. 96-45, FCC 07J-1, released May 1, 2007 (“Recommended Decision”), at ¶ 1.

While the FCC seems to be moving in the right direction in examining these issues and in applying a more fact-specific and stringent public interest analysis, we note that we are not bound by the FCC’s analysis, but instead have the obligation to fulfill the statutory mandate of Congress as well as our own statutory mandate by ensuring that designating additional ETCs in South Carolina serves the public interest, convenience and necessity. Before designating any carrier as an ETC in South Carolina, we must carefully consider its application; make an affirmative finding that it is in the public interest to designate that carrier as an ETC, and adopt reasonable and rational requirements to ensure that any carriers we may designate as ETCs in South Carolina will use the federal USF funds they receive to preserve and advance the goals of universal service.

This Commission has previously adopted a public interest test which requires us to conduct a specific, fact-intensive analysis to determine whether the public benefits associated with the designation will outweigh the public costs created by supporting an additional ETC. Order No. 2005-5 at p. 26, ¶ 7. We have also stated that, in making a public interest determination, we must keep in mind as our overriding principle the purpose of universal service funding, which is to ensure that consumers in all regions of the nation have access to quality telecommunications services at just, reasonable, and affordable rates, and that the services and rates in rural, insular, or high cost areas are comparable to those in urban areas. *Id.* at p. 27, ¶ 8. As we stated in our prior order, the federal USF is and should be treated as a scarce national

resource. *Id.* at p. 31, ¶ 15. Therefore, we must carefully weigh the costs and risks associated with granting an application for ETC designation against the asserted benefits.

III. DISCUSSION

MTI filed its Application on January 19, 2007. In its Application, MTI stated it will offer the nine supported services “using facilities obtained as UNE’s from Bell South [AT&T].” Application at ¶ 5. MTI stated it would advertise the general availability of, and charges for, the supported services, as required. Application at ¶ 6. With respect to its proposed service area, MTI stated it was not requesting ETC designation in rural areas, but that its proposed ETC service area included “all of the non-rural wire centers of Bell South [AT&T] in the State of South Carolina.” Application at ¶ 7. MTI stated that its designation as an ETC “would allow Lifeline and Link-up service to be available to MTI’ [sic] customers thereby offering telecommunications to a market that is often limited in services and selection.” Application at ¶ 8.

While the Application is general in terms of the type of ETC authority and federal universal service funding MTI seeks, MTI clarified in its testimony that it sought to be designated as an ETC “for the purposes of receiving federal universal service ‘Lifeline and Link-up’ support” Tr. at p. 14, lines 20-23. MTI’s witness further stated that MTI was “not requesting High-Cost support by means of this Application for ETC designation.” Tr. at p. 18, lines 17-21. MTI also narrowed the scope of its Application through its testimony to request designation only in those non-rural wire centers served by BellSouth [AT&T] in the Greenville and Charleston areas. Tr. at p. 27, lines 1-3.

MTI and ORS entered into a stipulation prior to commencement of the hearing on this matter. The ORS Stipulation was entered into the record as Hearing Exhibit No. 1. The ORS

Stipulation states that MTI has requested designation only in non-rural BellSouth [AT&T] service areas, and that MTI has limited its requested USF support to the federal USF low income support program. MTI agreed that it would file a separate application in the event it sought designation as an ETC for high cost support. MTI agreed to use the same qualifying criteria for Lifeline and Link-up that are used by BellSouth [AT&T], and further agreed to provide an additional \$3.50 credit in order to maximize the amount of federal matching funds.¹ MTI agreed to report certain information to ORS on a quarterly basis, and to submit a two-year plan describing MTI's plans for advertising and outreach programs for identifying, qualifying and enrolling eligible participants in the Lifeline and Link-up programs. MTI's witness described the ORS Stipulation on the record. Tr. at p. 31, line 5 through p. 35, line 12.

MTI's witness also provided testimony at the hearing regarding the details of MTI's proposed service. Mr. Chinwah testified that the majority of its customers have been disconnected by the ILEC for non-payment. Tr. at p. 19, lines 22-23. Mr. Chinwah testified that designation of MTI as an ETC will increase customer choice for low income consumers eligible for Lifeline and Link-up support in the Charleston and Greenville areas. Tr. at p. 27, lines 13-15. According to Mr. Chinwah, MTI does disconnect customers for non-payment; however, because MTI limits some of the services its customers may obtain, the customer's "ability to get in trouble" is not as high as it can be with an ILEC. Tr. at p. 38, line 18 through p. 39, line 3. In addition, 85% of MTI's customers are prepaid. Tr. at p. 39, lines 4-5.

¹ It appears the ORS Stipulation, read in conjunction with federal rules that describe the tiers of funding [47 C.F.R. § 54.403] would require MTI to fund the additional \$3.50 per Lifeline customer itself, which would, in turn, make MTI's customers eligible for an additional \$1.75 in matching federal Lifeline credits. MTI appears to have a different understanding. In describing the ORS Stipulation, Mr. Chinwah testified that MTI would provide the \$3.50 additional credit, but would be able to "recoup" from the federal USF half of that amount. See Tr. at p. 32, lines 11-15. This is precisely the kind of apparent confusion that gives us concern in considering whether MTI's designation as an ETC is in the public interest.

MTI received a certificate in 2003 to provide telecommunications services in South Carolina, but does not have any customers in South Carolina. Tr. at p. 51, line 24 through p. 52, line 3. MTI has no employees in South Carolina. Tr. at p. 48, lines 12-14. While Mr. Chinwah testified MTI would have a “heavy presence” in low income areas of South Carolina [Tr. at p. 16, line 5], when asked what he meant by “heavy presence” he stated that he was referring to advertising and not employees. Tr. at p. 49, lines 11-15; Tr. at p. 49, line 25 through p. 51, line 5. MTI does not have facilities in South Carolina, and does not have any plans to purchase or deploy facilities in South Carolina. Tr. at p. 73, lines 11-14. Yet, when asked if MTI planned to have any employees in South Carolina, Mr. Chinwah testified they would initially probably hire three [Tr. at p. 48, lines 15-19], and that these employees primarily would be “technicians” [Tr. at p. 49, lines 16-24] or people “necessary to do technical work.” Tr. at p. 50, lines 16-21.

MTI offers its basic service for \$31.79 to non-Lifeline customers and \$21.79 to Lifeline customers (i.e., assuming a \$10.00 discount, as provided for in MTI’s original Application). See Tr. at p. 54, lines 1-13. Presumably, with the additional \$3.50 discount described in the ORS Stipulation, the end user rate for MTI’s Lifeline service, after the full \$13.50 discount MTI agreed to provide, would be \$18.29. (\$31.79 basic rate - \$13.50 discount = \$18.29).

MTI’s proposed service offering before Lifeline discounts of \$31.79 compares to BellSouth’s [AT&T’s] tariffed rates for basic local service ranging from \$12.70 to \$15.40. Hearing Exhibit No. 4; Tr. at p. 60, line 10 through p. 61, line 8. Even with a \$6.50 federal Subscriber Line Charge (“SLC”) added to BellSouth’s [AT&T’s] basic local rates, the BellSouth [AT&T] rates after the \$13.50 Lifeline discount would range from \$5.70 to \$8.40.² This

² \$12.70 basic rate + \$6.50 SLC - \$13.50 discount = \$5.70.
\$15.40 basic rate + \$6.50 SLC - \$13.50 discount = \$8.40.

compares to a Lifeline rate from MTI of \$18.29, assuming the full \$13.50 discount MTI has agreed to provide (\$31.79 basic rate - \$13.50 discount = \$18.29).

Mr. Chinwah testified that there is a large “churn” in MTI’s customer base, defining “telecommunications churn” as “where you turn on customers, but you lose a large percentage of your customers through lack of paying.” Tr. at p. 58, lines 9-10; Tr. at p. 57, lines 14-18. MTI’s own projections indicate they will activate approximately 3,000 Lifeline customers in the first year, and will retain approximately 1,500 customers, for a churn rate of approximately 50%. Tr. at p. 19, lines 3-11; Tr. at p. 56, line 14 through p. 58, line 5. In fact, given that MTI would be eligible to receive \$30.00 in federal Link-Up support for each customer it activates, it appears that MTI’s business plan is to sign up as many customers as possible, regardless of whether or for how long they remain customers. See Tr. at p. 52, lines 15-17 (“[T]he growth of our business primarily depends on advertising and turning on more customers”); Tr. at p. 52, lines 21-23 (“[I]n order for our company to thrive, we need to turn on more Lifeline Link-up customers”); Tr. at p. 72, lines 9-17; Tr. at p. 57, lines 21-23 (“A large percentage of these customers may only stay on for three months, for four months, for one month, for six months.”).

IV. FINDINGS AND CONCLUSIONS

1. The Commission has authority, pursuant to Section 214(e)(2) of the Act, to make a determination regarding MTI’s application for designation as an ETC for purposes of receiving federal USF.

2. MTI proposes to offer the nine services designated for universal service support set forth in 47 C.F.R. § 54.101(a). Application at ¶ 4. MTI proposes to do so using unbundled network elements purchased from BellSouth [AT&T]. Application at ¶ 5.

3. Section 214(e)(2) of the Act allows the Commission discretion in all ETC designation cases to consider the public interest, convenience and necessity.

4. The applicant has the burden of proving that it meets the requirements to be designated, and that its designation as an ETC is in the public interest. See FCC ETC Order at ¶ 44.

5. The FCC has adopted a single set of criteria for evaluating the public interest for ETC designations in rural and non-rural areas. See FCC ETC Order at ¶ 43. We agree with the FCC's finding that "the public interest concerns that exist for carriers seeking ETC designation in areas served by rural carriers also exist in study areas served by non-rural carriers." FCC ETC Order at ¶ 42.

6. In addition to the initial threshold public interest finding, the Commission has the authority to impose additional requirements on carriers it designates as ETCs in South Carolina. Texas Office of Public Utility Counsel v. FCC, 183 F.3d 393 (5th Cir. 1999). In doing so, we will be informed by – but not controlled by – the additional requirements adopted by the FCC as set forth in 47 C.F.R. § 54.202(a).

7. In addition, we will use the existing framework of analysis of ETC applications as reflected in our prior orders, specifically Order No. 2005-5 in Docket No. 2003-158-C. With respect to the threshold public interest finding, this requires us to conduct a specific, fact-intensive analysis to determine whether the benefits associated with the designation will outweigh the public costs.

8. Universal service funding is intended to ensure that consumers in all regions of the nation have access to quality telecommunications services at just, reasonable, and affordable rates, and that the services and rates in rural, insular, or high cost areas are comparable to those

in urban areas. 47 U.S.C. § 254(b). In determining whether granting a request for designation as an ETC serves the public interest, we must keep in mind this overriding principle.

9. MTI seeks designation only in BellSouth [AT&T] non-rural wire centers in Charleston and Greenville. Tr. at p. 27, lines 1-3; Hearing Exhibit No. 1.

10. MTI seeks designation for purposes of Lifeline and Link-up support only. MTI is not seeking any high-cost federal USF in this proceeding. Tr. p. 14, lines 20-23; Tr. at p. 18, lines 17-21; Hearing Exhibit No. 1.

11. In arguing that its designation as an ETC would serve the public interest, MTI states that its designation as an ETC “would allow Lifeline and Link-up service to be available to MTI’ [sic] customers thereby offering telecommunications to a market that is often limited in services and selection.” Application at ¶ 8. While this is a commendable goal, we must ensure that the service is offered in such a manner that the public interest is protected and the goals of universal service are advanced. MTI stated that, in many cases, its customers had been disconnected by the ILEC for non-payment and could not re-establish service without a “substantial” deposit. Tr. at p. 36, lines 4-17. MTI’s witness did not provide any specific information about the amount of the deposit required by the ILEC. ORS’ witness, when asked about the amount of the deposit required by the ILEC, stated he had “not seen any information along those lines.” Tr. at p. 123, lines 9-25. MTI charges its customers a connection fee of \$90.00. Tr. at p. 54, line 25 through p. 55, line 8. Lifeline customers are also charged \$90.00, but would pay \$60.00, with MTI recovering the additional \$30.00 in Link-up funding from the federal USF. Tr. at p. 55, line 17 through p. 56, line 8. Without knowing the amount of the deposit required by the ILEC, we cannot determine whether MTI charges more or less for establishing or re-establishing service than the ILEC.

12. MTI does not offer a local usage plan that is comparable to that offered by the ILEC. The evidence of record shows that MTI will offer a basic local service plan to non-Lifeline customers for a rate of \$31.79, as compared to the BellSouth [AT&T] basic rate ranging from \$12.70 to \$15.40. Tr. at p. 54, lines 1-13; Hearing Exhibit No. 4. Even with the applicable \$6.50 SLC, MTI's rates are significantly higher than the ILEC's rates. For Lifeline customers, MTI and BellSouth [AT&T] would offer the same \$13.50 discount off the basic rate. Tr. at p. 62, lines 3-5; Hearing Exhibit No. 1. Again, MTI's rates are significantly higher than the ILEC's rates.

13. We are also concerned with the high "churn" rate cited by MTI's witness, and MTI's apparent business plan to sign up as many customers as possible in order to obtain Link-up funding, without regard to retaining customers. See Tr. at p. 52, lines 15-17 ("[T]he growth of our business primarily depends on advertising and turning on more customers"); Tr. at p. 52, lines 21-23 ("[I]n order for our company to thrive, we need to turn on more Lifeline Link-up customers"); Tr. at p. 72, lines 9-17; Tr. at p. 57, lines 21-23 ("A large percentage of these customers may only stay on for three months, for four months, for one month, for six months."). We question whether the public interest will be served by granting MTI's application, especially when we take into consideration the other evidence of record, including the facts that MTI (i) has no employees or facilities in South Carolina; (ii) has no plans to invest in facilities in South Carolina; and (iii) offers service at substantially higher rates than the ILEC.

14. We are also concerned with the fact that MTI will essentially act as a reseller of Lifeline services on a prepaid basis. See Tr. at p. 17, lines 7-9 ("M.T.I. will provide local exchange services through the Resale of services and facilities obtained through a commercial facilities agreement ("CFA") with AT&T."); Tr. at p. 73, lines 11-14 ("[I]n the true sense of the

word as far as us actually purchasing or deploying facilities, we have no plans to do that.”); Tr. at p. 39, lines 4-5 (stating that approximately 85% of MTI’s customers are prepaid). As we have recognized in the past, there are public interest concerns with non-facilities-based carriers who provide local services on a prepaid basis. See Order No. 2004-598 in Docket No. 2002-416-C, at p. 11 (“This Commission must continually monitor the provision of non-facilities based prepaid local telephone service”); see also Directive of the Commission dated June 27, 2007 in Docket No. 2006-328-C (wherein the Commission ordered prepaid local telephone service provider ConnectNow! to refund charges it collected for telephone services that were never provided, and also voted to establish a rulemaking docket to consider what security, if any, should be required of prepaid local telecommunications providers).

15. Even if MTI could demonstrate additional public benefits, these may well be temporary, because MTI has not addressed the very real risks that spreading finite universal service resources too thin will create to critical carrier of last resort principles. Explosive growth in the size of the federal USF could threaten the long-term viability of the fund, thereby jeopardizing the continued provision of affordable basic local exchange service to rural subscribers. While MTI’s request for limited funding is small in comparison to the overall size of the federal USF, the cumulative effect of such requests is not, and it is incumbent upon this Commission to be a good steward of the federal USF, which is a scarce national resource.

16. We find that MTI has not met its burden of establishing that the public interest will be met by granting its request for designation as an ETC in the non-rural wire centers of South Carolina served by BellSouth [AT&T] in the Greenville and Charleston areas.

IT IS THEREFORE ORDERED THAT:

MTI's request for designation as an eligible telecommunications carrier within certain areas of the State of South Carolina is denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice Chairman

(SEAL)